

Millennium Challenge Corporation

Stage II Threshold Program Guidance

Fiscal Year 2008



REDUCING POVERTY THROUGH GROWTH

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I. Introduction

On December 12, 2007, MCC announced the opportunity for Stage II threshold programs for selected countries which:

- are currently implementing threshold programs that are due to end during 2008;
- have not been selected for Millennium Challenge Act (MCA) Compact eligibility, but have demonstrated satisfactory progress in implementing their respective threshold programs;
- have continued to pursue a policy reform agenda; and
- are pursuing reform efforts which could be enhanced by a Stage II threshold program.

In order to support reform efforts that are already underway, as well as additional reforms necessary to be eligible for a Compact, MCC is inviting Albania, Paraguay and Zambia to submit proposals for a Stage II threshold program.

II. Program Development

Like other threshold programs, the objective of a Stage II threshold program is to assist countries to become eligible for MCA Compact funding by supporting improved performance on the MCC selection criteria. A country invited to propose a Stage II threshold program may choose to expand upon activities being implemented successfully in its initial threshold program, select new indicator areas to target, or propose a combination of the two approaches.

Once a government indicates to MCC its interest in participating in a Stage II threshold program, it should name a point of contact for the MCC Threshold Program. MCC then initiates a process to assist the country to develop a proposal (Threshold Country Plan) in partnership with MCC and other U.S. agencies, which presents an aggressive near-term action plan (approximately 12–24 months) that is likely to significantly increase the prospects of fully qualifying for MCA Compact assistance.

As a first step, MCC will produce a comprehensive assessment (Indicator Analysis) of the country's performance on the eligibility criteria for MCA Compact assistance. This analysis is entirely based on non-U.S. Government sources. It does not necessarily reflect the opinions, judgments, or analytical assessments of any U.S. Government agency.

MCC will share the Indicator Analysis with the threshold country government to facilitate the government's understanding of performance as measured by the indicators. This information is intended to help guide the government toward focus areas for the Threshold Country Plan where indicator performance can be improved.

This Indicator Analysis should stimulate a dialogue between MCC and the threshold country's embassy in Washington, as well as between U.S. Government and threshold country government officials in the country. The purpose of this dialogue is to discuss the Indicator Analysis, establish targets of opportunity for a threshold program, and provide additional guidance on next steps. An MCC team will travel to each threshold country as part of this process.

Normally, threshold countries are asked to produce a short concept paper called "Section I" before proceeding to the full "Section II" Threshold Country Plan. A country that has been invited to propose a Stage II threshold program should initiate work on both Section I and Section II of the Threshold Country Plan, in close coordination with MCC and the in-country U.S. Mission. The suggested contents of a Threshold Country Plan, as well as detailed descriptions of Sections I and II, are set forth in more detail in a separate document, "Outline for a Threshold Country Plan," which can be found at <http://www.mcc.gov/countrytools/threshold/index.php>.

Both sections of the Threshold Country Plan for a Stage II threshold program are due to MCC **on or before March 31, 2008** and should consist of:

- A summary of the activities, objectives and policy and programmatic outcomes of the country's initial threshold program;
- Identification of the MCC selection indicators to be targeted in the Stage II threshold program, and an explanation of why those indicators have been chosen;
- A description of proposed program activities with measurable outcomes that, if fully implemented as part of the country's own reform agenda, will support improved performance on the targeted MCC selection indicators;
- A description of the government's commitment to sustain the program and an explanation of how the initiatives will be sustained beyond the term of the threshold program;
- An statement of the names, titles and responsibilities of the team that will manage the threshold program for the government and any local implementing partner(s) that will work with the government to ensure that MCC resources will achieve the desired outcomes;
- A description of country consultation on the proposed threshold program with civil society, the private sector, academia, and donors, including a description of specific donor activities if other donors are working in the same area as the threshold program;

- A performance benchmarks chart that lists the outcomes to be achieved and how the activities in the threshold program will lead to achieving those outcomes. (A sample chart may be found at <http://www.mcc.gov/countrytools/threshold/index.php>.)
- A detailed budget, developed by the lead U.S. implementing agency, with all funding needs accounted for and explained.

MCC and other appropriate U.S. Government agencies will review the proposed Threshold Country Plan. If approved for funding by MCC, an applicant country will be encouraged to post its Threshold Country Plan on its official country website. In addition, MCC will post the agreement between the threshold country and the United States on the MCC website, www.mcc.gov, upon signature.

III. Implementation

The threshold country government will need to establish a point of contact responsible for working with MCC and its implementing partners to implement its threshold program. It may also choose to establish a steering committee or working group to help coordinate implementation within the government. Potential implementing partners for a Stage II threshold program may include eligible local, U.S. and other international firms, nongovernmental organizations, and international organizations.

MCC will determine which U.S. Government agency (or agencies) will manage and oversee implementation. The implementing partner will monitor and evaluate progress toward achieving performance benchmarks, in coordination with MCC. MCC will also conduct independent monitoring and evaluation of the threshold program. MCC reserves the right to modify, suspend, or terminate a threshold program if a government fails to perform as agreed.